
Endemic Corruption and Nigerian Underdevelopment: What is the Nexus?

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Abstract: *Despite the establishment of EFCC and ICPC to eradicate corruption and corrupt practices in Nigeria, corruption has continued to weaken institutional structures, discourage investments in capital, divert societal development resources to private use and consequently make the country engulfed in deep underdevelopment. Even though Nigeria's underdevelopment cannot be totally attributed to corruption, all the implications of corrupt practices have detrimental effect on development. This paper examines the link between corruption and underdevelopment in Nigeria using correlation and causality methodology for the period 1996 to 2014. The finding reveals that corruption leads to underdevelopment through promoting unemployment in the country. It is thus recommended that people should also be made to understand that corruption is not limited only to monetary fraud, but also involves indiscipline, cheating on marriage partners, disrespect of elders, disobedience of law as well as examination malpractices. Therefore a habit of honesty, respect, loyalty and hard work in order to be free from corrupt practices should be cultivated among Nigerians.*

Keywords: *Corruption, Underdevelopment and Unemployment*

1. Introduction

Development is manifested in advanced countries by a steady rise in GNP per capita, low level of unemployment, minimum absolute poverty, and negligible income inequalities within the context of political stability and socio-economic freedom. On the other hand, underdevelopment has characterized LDCs partly because the precondition for development, particularly market system, property rights and monetary system, has not been effectively established due to poor economic and political organization, and the forces of development, that is, investment in capital, human capital development as well as discovery of new technology, have been eroded by structural factors, particularly corruption.

Even though Nigeria's underdevelopment is not singly attributed to corruption, but most of the manifestations of underdevelopment are significantly outcomes of corrupt practice. This means that the problem of inability of Nigeria to develop emanates from defective economic and socio-political institutional setups, defective attitude towards work, technological backwardness, low entrepreneurial skill and talents, indiscipline, limited size of market and imperfection, lack of basic industries due to capital deficiency and defective education, among others. Nigeria as a country has inadequate infrastructure to sustain industrial activity. But in line with this, corruption is said to be a significant factor as it is manifested through fraud, embezzlement and misappropriation of public funds, inflation of contracts, sexual harassment, bribery, misplaced sense of values, lack of accountability and transparency in government, greed, discrimination in wealth distribution and personal aggrandizement.

Though there have been lots of anti-corruption campaigns in Nigeria over the years aimed at reducing the spread of corruption in the country, still the rate of growth of corruption has been increasing over the years, leading to slow economic growth and underdevelopment. In fact, in its assessment of the level of corruption, Transparency International employed surveys and assessments which included questions related to the bribery of public officials, kickbacks in public procurement, embezzlement of public funds, and the effectiveness of public sector anti-corruption efforts. Their approach placed Nigeria as one of the most corrupt economies. This is because Nigeria is ranked 136th with index of 27 out of 175 countries and other territories of the world (Transparency International, 2014). And this is after the establishment of anti-graft agencies, such as Independent Corrupt Practices and Other Related Offences Commission (ICPC) in 2000, and Economic and Financial Crimes Commission (EFCC) in 2003. Despite all this, corruption has continued to weaken institutional structures, discouraged investments in capital, diverted developmental resources of the society to private or personal use and retarded development.

Therefore, it is of high significance that the study shows how corruption retards Nigerian Economic Development and makes it difficult for government to achieve both economic growth and development. Hence, at the end of the findings, recommendations are offered.

2. Conceptual Clarification and Empirical Literature on Corruption

2.1 Definitions of Corruption

The United Nations Global Programme against Corruption (GPAC) defines it as "abuse of power for private gain", which is similar to the way The Transparency International (2008) views it as the misuse of entrusted power for private gains. TI went further to differentiate between "according to the rules" Corruption and "against the rule" Corruption. Facilitation payments where a bribe is paid to receive preferential treatment for something that the bribe receiver is required to do by law, constitute the former. The latter on the other hand is a bribe paid to obtain services the bribe receiver is prohibited from providing.

In another dimension, the World Bank defines corruption as the abuse of public office for private gains. Public office is abused for private gain when an official accepts edicts or extorts a bribe. It is also abused when private agents actively offer bribes to circumvent public policies and processes for competitive advantage and profit. Public office can also be abused for personal benefit even if no bribery occurs through patronage and nepotism, the misuse of state assets or the diversion of state resources. Looking at researchers' perception of corruption, Grunner (1999) and Obayehu (2000) define it as "any systematic vice in an individual, society or a nation which reflects favouritism, nepotism, tribalism, sectionalism, undue enrichment or amassing of wealth, abuse of office, power position and derivation of undue gains and benefits. Corruption also includes bribery, smuggling, and fraud, illegal payments, money laundering, drug trafficking, falsification of documents and records, window dressing, false declaration, tax evasion of any kind to the detriment of another person, community, society or nation.

Similar definition was given by Andrig and Fjelstad (2001:4) where corruption is viewed as a "complex and multifaceted phenomenon with multiple causes and effects, as it takes on various forms and contexts". According to them, one of the major difficulties in conceptualizing corruption is that while it is difficult to disappear it has a capacity to take on new forms. They further argue that corruption has the following ramifications: Giving and receiving bribes, inflation of contracts, kick back and payment upfront, abuse of public property, lodging government fund in private accounts and examination malpractices. Others include adulterated food or hazardous drugs, misappropriation and embezzlement of fund, money laundering by public officers and using proxy names to buy property, as well as disobeying Traffic rules and employing people based on personal relationship rather than on merit, just to mention but a few. From these definitions, it is clear that any act of dishonesty, deception, betrayal or abuse of power and position constitute a corrupt practice.

2.2 Causes of Corruption in Nigeria

Afolabi (2007) identifies the following as the major causes of corruption:

Motivation: Certain habits which predispose individuals to steal or perform include high personal debts, excessive gambling, peer group pressures, excessive use of alcohol or drugs and living far beyond ones' means.

Equity: employees who are exploited by way of poor wage remuneration are likely to steal. It can be argued however that corruption cuts across remuneration barriers since among those who started being corrupt early in life, were some who still find it convenient to subsidize their living through fraudulent practices, when they attain higher socio economic positions in life. It is also sad to note that some of the most corrupt individuals in Nigeria are actually the very top public officers who are indeed very well remunerated.

Negative Management Attitude: if management encourages godfatherism in the work place, or does not respond to crimes promptly and decisively, corruption will thrive in the organization.

Societal Value System: Nigerians accord a lot of respect to material wealth regardless of how it has been acquired. Little attention is paid to morals, and it is often said that, "if you cannot beat them, join them". Little attention is paid to morals since it is generally believed that the end justifies the means. Getting a job is not the question of merit but of connections. The few among the citizenry who get themselves enriched through foul means, are also always under pressure from their friends, and relations to share out the loot thereby perpetuating the vicious circles

2.3 Underdevelopment

Underdevelopment is not lack of development, because development of some sort and degree thus exists in the state of underdevelopment. That is, it does not mean zero-level development, it is greater than zero. In the light of the above, underdevelopment therefore can be seen from the comparative perspective. Taken from the economic angle, the term underdevelopment only makes sense when we compare two societies, and we observe that one of the two has accumulated more wealth than the other, as a result of which the quality of life of individuals of that society is really higher than that of the individual member of the other society. Today whenever we compare the quality of life in Europe and North America with those of Africa, a great part of Asia and Latin America excluding Japan, we often conclude that while Europe and North America are developed, Africa, Asia and Latin America excluding Japan are underdeveloped.

2.4 Empirical Literature

In trying to conceptualize corruption (Adewale, 2011) explained that corruption is an act of diverting the resources that should have been used for developmental purposes of the society to private or personal use. This accumulation of the nation's economic resources for personal benefits had variously contributed to the leakage of capital from Nigeria for illegal deposits abroad. He further stated that corruption has a crowding out effect on the growth and development of the country. Its contributing effects on poverty and poor infrastructural development is more worrying. He further asserts that the most plausible arguments in this area would seem to be that corruption is intractably determined by the stage of development and the type of government that exists in a society or nation. In most of the highly corrupt countries like Nigeria, government bureaucracies create conducive atmosphere for corrupt practices.

Rose (1990), Tanzi et al (2006) and Obadan (2001) noted that governments of certain countries for political or other reasons create incentives for bribery and corruption and are sometimes directly involved in the corrupt practices. In some extreme cases, the government itself practices corruption in order to have their way through the legislative arms. This practice is quite common in Nigeria. Identifying effects of corruption, Ekpo and Egenedo (1985), Obadan (2001) and Adewale (2011) argued that corrupt practices inherently introduce distortions in the economic system; it impairs hard work, diligence and efficiency. It is capable of diverting resources meant for the development of the society to private or personal use. They maintain that corruption does not give room for honest selection processes and also distort prices.

Establishing the link between corruption and economic growth in Nigeria, Adewale's (2011) simulation approach to investigate the economic implications of corruption in Nigeria, employs Error Correction Mechanism (ECM) to overcome the problem of spurious regression. To ascertain the degree of stationarity of variables employed in the study and the co-integrating properties of the data; the Augmented Dickey-Fuller (ADF) test was employed. He discovered a strong significant negative relationship between corruption and output growth. He arrived at a conclusion that it is consistent with the hypothesis that corruption retards growth. In other words, it has a crowding-out effect on growth. In a similar study, Fabayo *et al* (2011) analyzed the consequences of corruption on investment in Nigeria using the Ordinary Least Square technique. They used the annual corruption perception index between the period 1996 and 2010. Their study revealed that low Corruption Perception Index ranking on Nigeria, which implies high level of corruption, leads to low investment and thus low economic growth in Nigeria.

In another related study which focuses on the relationship between corruption and development Akindele (2005), undertook an empirical investigation of the relationship between a number of key variables in Nigeria. Estimating a modified production function including labour, capital and political instability, corruption index is negative implying that corruption retards growth. He found that there exists a strong significant negative relationship between corruption and development. He concludes that, corruption in whatever form is inimical to the development of any society.

3. Methodology

The study employs a correlation and causality analysis to determine the link between underdevelopment and corruption in Nigeria. Development is taken as the opposite of underdevelopment and is measured by three variables, namely, GDP growth rate (GDPGR), Per capita income (PCI) and Unemployment rate (UER). On the other hand, corruption is measured by three variables namely, corruption perception index (CPI), Corruption Rank (CR) as well as the Relative Corruption Rank (RCR). The study period covers the period 1996 - 2014 which is a period of seventeen years. The choice of this study period is informed by the availability of data, particularly on corruption. The data is sourced from the Publication of CBN and United Nations Data base.

4. Results and Discussions

The link between corruption indices and development indicators is established through correlation analysis and reported in Table 1.1. Positive relationship between the indices implies a negative relationship between corruption and underdevelopment in Nigeria. The table reveals that in three of the indices of development in Nigeria, only GDPGR has no any significant correlation with any of the indices of corruption. Per capita income has a strong positive relationship with CPI (0.78) which is significant at 1% level. This implies that per capita income increases in Nigeria with increase in Corruption perception index. Hence, the higher the CPI in Nigeria, all things being equal, the lower the underdevelopment and vice versa.

Table1. 1: Results of Correlation Test

		GDPGR	PCI	UER	CPI	CR	RCR
GDPGR	Pearson Correlation	1	-.033-	.046	-.252-	-.405-	.161
	Sig. (2-tailed)		.900	.859	.329	.107	.538
	N	19	19	1	19	19	19
PCI	Pearson Correlation	-.033-	1	.595 [∧] _*	.780**	.832**	.815**
	Sig. (2-tailed)	.900		.012	.000	.000	.000
	N	19	19	1	19	19	19
UER	Pearson Correlation	.046	.595*	1	.643**	.514*	.213
	Sig. (2-tailed)	.859	.012		.005	.035	.411
	N	19	19	1	19	19	19
CPI	Pearson Correlation	-.252-	.780**	.643 [∧] _*	1	.829**	.552*
	Sig. (2-tailed)	.329	.000	.005		.000	.022
	N	19	19	1	19	19	19
CR	Pearson Correlation	-.405-	.832"	.514 [∧] _{**}	.829**	1	.522*
	Sig. (2-tailed)	.107	.000	.035	.000		.032
	N	19	19	1	19	19	19
RCR	Pearson Correlation	.161	.815**	.213 [∧]	.552*	.522*	1
	Sig. (2-tailed)	.538	.000	.411	.022	.032	
	N	19	19	1	19	19	19

*. Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

Sources: Researcher's Computation (2015).

It is also evident in the table that per capita income is strongly positively related with CR and RCR at 1% level of significance respectively (0.82 and 0.815). This implies that the rate of development in Nigeria

increases with the rise of Nigeria's CR and RCR. This is contrary to theoretical expectations and contradicts the findings of similar researches particularly Adewale (2011). On the other hand, unemployment rate is found to be significantly correlated with CPI and CR at 1% and 5% levels respectively. It is a strong positive relationship, implying that the higher the incidence of corruption in Nigeria, all things being equal, the greater the problems of unemployment, and hence more underdevelopment in Nigeria. This conforms to theoretical expectations and findings of similar researches such as Adewale (2011) and Fabayo *et al* (2011). The table also reveals that all the indices of corruption and development have a significant strong positive relationship with one another, thereby reinforcing one another. This means that GDPGR, PCI and UER reinforce one another and CPI, CR and RCR reinforce one another as expected by theory.

On the nature and direction of causality among these variables, Table 1.2 reports that CR Granger causes GDPGR and RCR at 1% and 5% levels of significance respectively. This partly supports the result of correlation on CR and UER. The table also shows that PCI Granger causes CPI, CR and UER at 1%, 5% and 5% levels of significance respectively. This may imply that the PCI of an individual may be responsible for his unemployment condition and hence his involvement in corrupt practices.

Table 1.2: Results of Granger Causality Test

Null Hypothesis:	Obs.	F-statistic	Probability
PCI does not Granger Cause GDPGR	17	0.96247	0.41469
GDPGR does not Granger Cause PCI	17	0.08038	0.92336
UER does not Granger Cause GDPGR	17	0.20990	0.81415
GDPGR does not Granger Cause UER	17	0.25129	0.78257
CPI does not Granger Cause GDPGR	17	1.61012	0.24763
GDPGR does not Granger Cause CPI	17	1.27344	0.32160
CR does not Granger Cause GDPGR	17	7.66924	0.00957
GDPGR does not Granger Cause CR	17	0.53276	0.60276
RCR does not Granger Cause GDPGR	17	2.74016	0.11249
GDPGR does not Granger Cause RCR	17	0.33172	0.72529
UER does not Granger Cause PCI	17	0.59713	0.56888
PCI does not Granger Cause UER	17	2.34435	0.14625
CPI does not Granger Cause PCI	17	1.62179	0.24545
PCI does not Granger Cause CPI	17	12.4509	0.00193
CR does not Granger Cause PCI	17	0.11039	0.89656
PCI does not Granger Cause CR	17	4.42127	0.04210
RCR does not Granger Cause PCI	17	0.43670	0.65792
PCI does not Granger Cause RCR	17	4.24133	0.04636
CPI does not Granger Cause UER	17	7.82826	0.00900
UER does not Granger Cause CPI	17	0.13603	0.87440
CR does not Granger Cause UER	17	4.36210	0.04345
UER does not Granger Cause CR	17	0.16746	0.84814
RCR does not Granger Cause UER	17	1.11369	0.36588
UER does not Granger Cause RCR	17	0.39907	0.68117
CR does not Granger Cause CPI	17	1.57435	0.25444
CPI does not Granger Cause CR	17	2.53300	0.12883
RCR does not Granger Cause CPI	17	2.11155	0.17180
CPI does not Granger Cause RCR	17	0.40131	0.67976
RCR does not Granger Cause CR	17	2.41522	0.13939
CR does not Granger Cause RCR	17	0.29010	0.75427

Source: Researcher's Computation (2015).

Finally, it is found that CPI Granger causes UER at 1% level of significance, vindicating the causality running from CR to UER and also from PCI to UER via PCI and CR. The overall results show that some of the indices of both development and corruption Granger cause each other.

4.1 Major Findings

The findings reveal that corruption leads to underdevelopment and retardation in economic growth and development through promoting unemployment in Nigeria.

5.1 Conclusion

Based on the findings of this paper and its discussion, it can be concluded that corruption in Nigeria is a significant factor responsible for unemployment problems. And since one of the major goals of development is to reduce unemployment and corruption increases unemployment in Nigeria, it can be concluded that corruption in Nigeria leads to underdevelopment. Again, various theories consider GDP growth rate and per capita income are not significant determinants of development particularly in LDCs like Nigeria, and hence the positive relationship between per capita income and corruption indices do not significantly imply that corruption encourages development in the country. In fact, per capita income and GDPGR are more significant determinants of Growth than Development.

5.2 Recommendations

Based on this, the paper recommends that in order to eradicate corruption, the government should be ready to take a bold step to serve as an example by practicing good governance, transparency, accountability with economic issues so that Nigerians will begin to believe in the system of government. People should also be made to understand that corruption is not limited to monetary fraud, but also involves indiscipline, cheating on marriage partners, disrespect of elders, and disobedience of law as well as examination malpractices. As such, we must cultivate a habit of honesty, respect, loyalty and hardworking in order to be free from corrupt practices. In order to be effective in the fight against corruption, FFCC should be empowered and grant absolute autonomy in handling cases relating to corruption. Anti-corruption laws, legislations and regulations should be written in similar language and made accessible to the populace. Parents and religious scholars should also preach on the implications of corruption. In fact, it may be a good idea to introduce subjects on corruption in Primary and Secondary schools so as to train the children to be corruption-free right from their childhood.

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